

Service Date: November 3, 2005

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA-DAKOTA)	UTILITY DIVISION
UTILITIES CO., Application for Approval of)	
Natural Gas Conservation Programs)	DOCKET NO. D2005.10.156
)	ORDER NO. 6697

INTERIM ORDER

On October 14, 2005, Montana-Dakota Utilities Co. (MDU) filed an application before the Public Service Commission (PSC) for approval of natural gas conservation programs and a conservation tracking adjustment applicable to residential and firm general service customers. The programs proposed by MDU are designed to educate or remind customers regarding energy-saving measures and to provide incentives that will make energy saving measures more cost effective to customers. MDU proposes recovery of the costs of the programs through a tracking procedure, with the first rate adjustment proposed effective date of May 1, 2006. MDU requests expedited regulatory treatment of its proposal.

MDU presented general MDU-activity information to the PSC at a periodic PSC MDU meeting that occurred in August of this year. During that meeting the PSC described other Montana utilities, particularly NorthWestern Energy, efforts regarding integrated resource planning, demand side management, and conservation. The PSC encouraged MDU to consider such programs for its Montana service areas.

This coming winter heating season (2005/2006) presents special circumstances, primarily extraordinary increased prices of electricity and natural gas, that justify expedited treatment of conservation, bill assistance, weatherization programs, and other measures that utilities implement or can implement. The PSC has several matters involving energy-cost mitigation that are pending expedited action and several already acted on in an expedited fashion, all in consideration of this coming winter heating season. The PSC will attempt to act on MDU's proposal in an expedited manner as well.

The PSC does not intend to make expedited treatment of utility proposals habitual. Most actions taken by the PSC require considerable time, primarily to ensure all necessary information has been obtained, all persons interested in the action have had an opportunity to be heard, and a complete review and thorough consideration has been accomplished. The PSC has attempted to make each of its recent expedited actions to mitigate of the effects of extraordinary energy bills as short-term as possible, but, given the number of activities and the eventual procedures required to ensure all necessary information has been obtained and that all persons interested in the action have had an opportunity to be heard and that a complete review and thorough consideration has been accomplished, some of the expedited actions will likely be longer term than the PSC would like.

The circumstances today, which are anticipated to continue through this coming winter heating season, justify, if not demand, expedited treatment. At best it would be 45 to 60 days before the PSC could complete an expedited final order in this MDU case. It is doubtful, given the present PSC workload that it would be accomplished in that time.

Therefore the PSC approves MDU's proposal, in its entirety, including cost recovery, on an interim basis, subject to all laws applicable to interim approvals, including that approval might not be done on a final basis and costs incurred might not be recovered. This approval is an interim approval and, like all interim approvals, is subject to change (with reasonable notice) by the PSC at any time, including following procedures that ensure all necessary information has been obtained, all persons interested in the action have had an opportunity to be heard, and a complete review and thorough consideration has been accomplished.

At the same time the PSC will not require MDU or other utilities to implement programs with uncertainty in cost recovery. Typical PSC interim orders may result in adjustments to cost recovery, including denial of cost recovery. It might be reasonable to expect that MDU or other utilities would be reluctant to implement programs approved on an interim basis if there is doubt about ultimate recovery of the costs. Some utilities make management decisions, implement programs, and expect evidence will demonstrate the associated costs will be approved. Some will

not do that and prefer PSC preapproval. In this regard, the PSC points out that programs identical to or substantially similar to those proposed by MDU are considered by the PSC to be programs that justify cost recovery. If the PSC could lawfully order MDU's prudently incurred costs of implementing the programs identified by MDU during the period that this interim order is in effect will be recovered, it would do so. The PSC also points out that MDU has determined itself that the programs are cost effective based on the benefit cost ratios produced by various tests where such quantification is possible.

MDU is not required to implement the programs. MDU is encouraged to make its own management decisions, implement the programs, and accept the burden of demonstrating costs of the programs are prudently incurred. The PSC will proceed with this case in an as-expedited manner as possible, whether or not MDU chooses to implement the programs pursuant to this interim order, but it is doubtful the benefits of the program will be realized during much of this coming heating season if MDU chooses to wait for a final order.

Done and dated this 2nd day of November, 2005, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GREG JERGESON, Chairman

BRAD MOLNAR, Vice-Chairman

DOUG MOOD, Commissioner

ROBERT H. RANEY, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Connie Jones
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

